



46/12

Purpose: For Decision

Delegated decision report

Committee

DECISION UNDER DELEGATED POWERS

**DECISION CANNOT BE TAKEN BEFORE TUESDAY, 18
DECEMBER 2012**

Title

**PROPOSED SALE OF THE FORMER SWANMORE MIDDLE
SCHOOL, LOWER BETTESWORTH ROAD, RYDE, ISLE OF
WIGHT**

Report of

**THE DEPUTY LEADER AND CABINET MEMBER FOR THE
ECONOMY AND REGULATORY SERVICES**

EXECUTIVE SUMMARY

1. To approve the disposal of the council's interest in the former Swanmore Middle School, Lower Bettesworth Road, Ryde, Isle of Wight.
2. The outcome will be the best possible capital receipt from this disposal towards the funding of the capital costs of the school reorganisation programme, as set out in the approved cabinet decision ref. 76/07 "Schools Reorganisation – Outcome of January/February Consultation", and in accordance with the current strategic asset management plan.

CONFIDENTIAL/EXEMPT ITEMS

3. Appendix 2 is confidential and is exempt by virtue of Paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972 because it "relates to financial or business affairs of any particular person". In this case it comprises the offers to purchase the above site. If this was made publicly available it may prejudice the council's position if any of the bidders chose to renegotiate their offer, as they would have knowledge of the other offers received.

BACKGROUND

4. The former Swanmore Middle School dates from 1940 and sits on a site extending to approximately 0.73 hectares (1.81 acres) with frontages to both Lower Bettesworth Road and Ashey Road in Ryde. A site plan is attached as Appendix 1 with the site outlined in red.

5. The site accommodated Swanmore Middle School until its recent relocation under the council's school reorganisation programme, when it was declared surplus to educational requirements in the cabinet member delegated decision 22/11 "Disposal of School Sites".
6. Marketing of the property commenced in January 2012 with adverts placed in the Isle of Wight County Press. The property was marketed on both the national property websites Rightmove and Plot Finder, as well as the appointed agent's own website.
7. Three offers were received during the marketing period, one on the basis of a joint venture, one from a housing association and one from a private developer. The offers are set out in confidential Appendix 2.
8. The joint venture proposal was the highest offer overall, but required the council to contribute the land to the development until the units were completed and sold, with the council taking its land value as a proportion of the profit made on the sale of each unit. On further investigation, the resale values assumed appeared to be too high, and - allowing for nil increase in property values over the next few years, and possibly further falls in property prices – this payment to the council appeared to be subject to a very high risk of not being achieved. With no guarantees regarding value, the council could ultimately receive no value for the land, and accordingly this offer was rejected.
9. Due to the good level of interest received it was decided to determine the marketing via best and final offers, with a date for this being set for 15 October 2012. Two offers were received at this stage.
10. At best and final offers stage, the highest offer received is being recommended for acceptance. This offer is accompanied by satisfactory proof of funds and is not subject to the sale of any other property.
11. The council as landowners submitted a planning application last year for redevelopment of the site to 24 dwellings. A resolution to grant consent subject to a S106 legal agreement was passed on 31 January 2012 under reference number P/01476/11-TCP/23646/E.
12. The offers have been received on the basis of the site as a residential development opportunity, with the benefit of the above resolution to grant planning permission.
13. The sale of the site requires consent to dispose from the Department for Education (DfE) as explained in more detail in paragraph 27 below.

STRATEGIC CONTEXT

14. One of the key principles in the corporate plan is "The council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise receipts".
15. The disposal of this site meets a number of the council's key corporate priorities within its corporate plan, including: raising educational standards (previously known as the school reorganisation programme); housing and homelessness; regeneration and the economy; and delivery of budget savings through changed service provision.

16. If this property is disposed of it will release a capital receipt into the school reorganisation's capital investment budget, to assist in delivering the school reorganisation programme (decision ref 76/07).
17. The disposal of this property is identified in the 2011 Strategic Asset Management Plan.

CONSULTATION

18. Details of the proposal have been forwarded to the cabinet member for the economy and regulatory services and the local member and no adverse response has been received.

FINANCIAL / BUDGET IMPLICATIONS

19. If the recommendation made in this report is adopted, the council will benefit from a capital receipt into the schools reorganisation capital investment programme, and will be released from the potential future holding costs of a vacant school building.
20. Historically, the council has not received rental income from this property therefore the sale will not result in any loss of revenue income to the council.
21. If the property were not sold, it may be possible to attract a rental income by letting it. However, the accommodation is, essentially, a school building and therefore demand from tenants for the site in its existing configuration and condition would be limited. Indeed, the property has been marketed for all uses and no interest for alternative commercial uses, or continued school use, has been received. In addition, any rental income would be substantially reduced by the investment an in-coming tenant would need to make to create usable commercial space.
22. If the building was retained and a tenant could not be found, the education department would be liable for holding costs. An estimate of essential holding costs, for one year as a vacant property, is approximately £8,000 (c. £5,000 for utility standing charges and c. £3,000 for security maintenance and urgent works. The building has been removed from the rating list therefore there are no business rates to pay), but these exclude other costs which may arise, such as boarding up. There is no council budget, and only limited education budget, to fund these costs in the current financial year. If the costs exceed the limited education budget available, these will need to be paid for from an alternative, possibly corporate, source.

CARBON EMISSIONS

23. There is a positive carbon emission implication for the council as a result of the sale of this property. During the last full financial year 2010/11, the site consumed 97,660 kilowatts of electricity and 439,557 kilowatts of gas, and a full year's occupation is estimated to have produced 173 tonnes CO₂.
24. The Carbon Reduction Commitment Energy Efficiency Scheme levies a charge (essentially a tax) on all carbon emissions produced by the council of £12 per tonne. It can be shown that this disposal would generate a saving (calculated for a full year's

occupation) against this scheme of £2,076 per annum from the school's central budget. This is anticipated in the council's carbon reduction plan.

LEGAL IMPLICATIONS

25. The council currently holds the property on a freehold basis.
26. If the property is sold, once the sale has been completed the council will have no further interest in it.
27. This disposal is subject to DfE consent to dispose. An application has been made, to the DfE, but this can take up to six months to obtain. Accordingly, the contract for sale will be dependant upon DfE consent being granted. If the DfE does not give consent, the council will not be able to sell the property and the contract will simply fall away. The purchaser is aware of these timescales/risks.
28. The council has the ability to dispose of property under Section 123 of the Local Government Act 1972 for best consideration.

EQUALITY AND DIVERSITY

29. The council as a public body is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its service, policies/strategies and decisions with regard to diversity legislation and the nine 'protected' characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership). Any equality and diversity issues that may arise from the closure of the school have been dealt with in the paper seeking to approve the school closure (ref 22/11).
30. Report 22/11 stated: "Where the council is providing new or extended facilities every opportunity will be taken to improve access to premises. The process will ensure that the disposal of school sites do not disadvantage students or staff with regard to the nine protected characteristics as specified in the Equality Act 2010 – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, sex or sexual orientation. Positive impact is anticipated. The improvement to the remaining stock would be conducive to good access to services which meet the needs of those local communities affected."

PROPERTY IMPLICATIONS

31. It is considered that property implications are adequately covered within the main body of this report.

OPTIONS

32. Options have been considered in respect of this property as follows:
 - (a) To sell the property to the party making the highest bid for the freehold interest, and who is in the strongest financial position to proceed, conditional on the Department for Education approval to dispose.

- (b) To continue to market the property for a longer period in the hope of achieving a higher capital receipt.
- (c) To retain ownership and refurbish/convert the property for a different use, and then offer to the market on a rental basis.
- (d) To retain ownership of the property and seek to lease it to a tenant without undertaking works.

RISK MANAGEMENT

- 33. The main risk to this proposal is that DfE consent may not be granted, leading to the purchase not proceeding. This is mitigated, in part, as the Isle of Wight Council has been working closely with the DfE over school sites sold to date, and therefore the DfE is well aware of the council's school's reorganisation programme. It is hoped, therefore, that to continue the school capital investment programme, the DfE will grant approval for the disposal of further surplus school sites.
- 34. Option (a) represents low risk to the council as it has followed a robust marketing route that has included research into the funding method/ability of the proposed purchaser.
- 35. Option (b) would be of medium to high risk as the existing bidder may withdraw. Also, due to the level of exposure to the market to date, the marketing agents have advised that, if this route was chosen, it is unlikely that a better offer would be received. Indeed, the major risk of this course of action would be that a lower offer is ultimately agreed, in light of the potential for continued falls and uncertainty in the current property market.
- 36. Option (c) is a high risk as it is difficult to predict exactly what alternative uses may be demanded by the market and, therefore, what works would be required to convert and refurbish this school building to enable such a use. If the wrong conversion decision is made there is an equally high risk that there would be no demand for the resulting scheme. In addition, there would be a significant risk to the council for the conversion costs and, even if a successful scheme was achieved, there would be an ongoing management liability. Before expending any monies on conversion, the position regarding DfE consent for disposal would also need to be resolved as DfE consent would still be required to grant a lease.
- 37. Option (d) would result in continued revenue cost to the council for property management and maintenance, with limited uses for the site in its current form due to its most recent use as a school, and a relatively low rent to reflect the need for substantial capital investment by an in-going tenant to make it suitable for an alternative use. To enter into a lease further DfE consent will be required.

EVALUATION

- 38. In light of the continued uncertainty across the property market and uncertain economic climate, it is considered that option (a) is the most appropriate disposal path.
- 39. Option (b) is not recommended as the availability of the property has been marketed widely. The marketing has coincided with a time of continued uncertainty within the

property markets, and therefore the agents consider it unlikely that a higher offer will be received.

40. Options (c) and (d) are not recommended as they fail to achieve a capital receipt, and would result in either a significant and risky capital investment by the council or only a relatively low rent at best, and would have ongoing capital and revenue cost implications to the council, necessitating some level of landlord administrative input.

RECOMMENDATION

41. That the council adopts option (a):

To sell the property to the party making the highest bid for the freehold interest, and who is in the strongest financial position to proceed, conditional on the Department for Education approval to dispose.

APPENDICES ATTACHED

42. [APPENDIX 1](#) - Site Plan
43. APPENDIX 2 - Summary of offers received - **RESTRICTED** - this Appendix is exempt from disclosure by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 (As Amended) because it “relates to financial or business affairs of any particular person” (including the authority holding that information)

BACKGROUND PAPERS

50. [Cabinet paper decision 76/07](#) from Cabinet Report [School Reorganisation – Outcome of January/February Consultation](#)
- [Delegated decision 22/11 – Disposal of school sites](#)

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Decision

Signed

Date
